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Dunraven, Windham  
Thomas Wyndham-Quin  
The labour question

[London]

[1885]

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# THE LABOUR QUESTION.

*A Letter from the* EARL OF DUNRAVEN, K.P., *to the Chairman of the Workman's Association for Defence of British Industry.*

DEAR SIR,—

It is not easy to put one's views on such a great subject into the compass of a letter, but I will try to do so.

We are told that Free-Trade is true, that it should be applied everywhere, and that doubt on these points is damnable heresy. In the main those are the opinions held by the English at home, but denied by the English in the Colonies—denied also by the people of the United States and by the inhabitants of all European countries. In round numbers 35 millions adhere to the doctrines of Free-Trade, 343 millions deny these doctrines. The odds are decidedly against us, and it is at least probable that there is a good deal to be said on both sides of the question. The fact is there is no infallible system, good for all people at all times, and the sooner we understand this the better. I, however, believe in Free-Trade for us, and I argue on that foundation.

But though I believe in Free-Trade, I do not believe in our commercial system, for it is not Free-Trade. When we changed our system in 1846, we expected to obtain Free-Trade—that is, free exchange, the right to sell freely and buy freely. Every argument of the reformers of those days was founded on that expectation. We have been disappointed; other nations have refused to follow our lead. They have not done so, and they are not going to. We have not got Free-Trade and we cannot obtain it. The question therefore is, Failing Free-Trade, have we got the next best thing to it? The Cobden Club say "yes." Their argument is, "Granting that the duties foreigners levy on our goods hurt us, yet it cannot benefit us to put duties on their goods. Though it damages us not to be able to sell freely, it will not mend matters if we buy dearer than we do. We cannot help ourselves." I say, "No, we have not got the next best thing to Free-Trade, and we can help ourselves."

Look at our system, not as we would like it to be, but as it really is. My objections to it are:

(1) That under it foreign labour is gradually supplanting British labour.

(2) That it gives no advantage to our Colonies and Dependencies.

(3) That it is unfair as between class and class.

(4) That it tends to the unnatural accumulation of wealth in the hands of the few.

(5) That it allows of no elasticity in our revenue.

1885

Our industries are suffering. Why?

(1) Because foreigners won't admit our manufactures to their markets.

(2) Because they undersell us in our home market.

(3) Because agriculture is depressed.

Foreigners keep our goods as much as they can out of their markets by high tariffs. Can we compel them to take off their duties? Only by entering upon a war of tariffs. Should we win? Possibly, yes. For instance, if we put a prohibitive duty on American wheat, they could not retaliate by putting an export duty on cotton, for that would ruin the Southern States. We could buy our wheat elsewhere, but Americans could not sell their wheat elsewhere. To close our ports against their wheat would damage American farmers, and induce them to agitate for Free-Trade with us. In the case of France—we import mainly luxuries from her; she imports mainly necessities from us. If we refused to import from her until she agreed to import freely from us, she would suffer the most and would have to give way. Do I therefore advocate a war of this kind? No, and for the reason that though we might win in the end, the victory would cost us dear. It would greatly increase the price of bread for a time, and disorganise trade. We should suffer terribly, and might not enjoy the fruits of victory, for we could not ensure that duties would not be put on again. A war of tariffs would be disastrous, and we can gain our ends better by other means.

'Turn to the Home market. Foreigners undersell us. Why?

(1) Because foreign Governments give bounties.

(2) Because foreign manufacturers, being assured of a good profit in their own protected market, can afford to sell at or below cost price in England.

(3) Because foreign working men work longer hours for less wage than we do.

All these facts can be counteracted by putting a duty on the products of foreign labour. The only argument against doing so is that the duty will make things dearer, and that it must be to our advantage to buy everything as cheap as possible. Let us examine this argument. Would a duty of 10 or 15 per cent. raise the price of the articles on which it was levied? It would depend on the state of the market. Probably the foreigner would pay a large proportion of the duty. But supposing it did make things dearer. I deny that it is always an advantage to a nation to buy as cheaply as possible. It is a disadvantage if the purchase money goes out of the country. Suppose, for instance, a contractor wants iron girders for a new railway station, and can get them for £100 from Germany, and for £105 in England. Is it to our advantage that he should buy them abroad? "Of course," would say the Cobden Club, "always buy in the cheapest market. What possible sense can there be in paying more than you need for a railway station?" "Of course not," say I, "it is

better to pay a little more for the station and buy the material at home." Why? "Because, in the first case, the £100 goes to Germany, and is divided between the German manufacturer and the men employed by him; passes from the manufacturer to other Germans; goes to find food and clothing for German men and their wives and children; forms part of the profits of the German shopkeepers with whom they deal, circulates through the country, and goes to support the German people. In the second case, the £105 is divided between the English manufacturer and the men employed by him; is spent by the English manufacturer in England; goes to support English men, women, and children, forms part of the profits of the English shopkeepers with whom they deal, circulates in England and goes to support the English people. It is better for the nation to give a little more for a railway station, and keep the price of it at home. In other words, it pays the nation to pay something for the use of money."

"But," say the economists, "the English manufacturer can set up abroad if the article he wants to make can be made cheaper there. In order to buy things we must have money to pay for them. It can make no difference where the money is made, provided that it is spent at home." Can it not? I say it makes an enormous difference. Suppose a man has £100,000 to invest, and proposes to live at home and spend the income here. It makes a vast difference to the nation whether the money is laid out at home or abroad. In the one case the whole of the profit that goes in wages circulates at home, supports people at home, is gain to us. In the other case, the whole of the profit that goes in wages circulates abroad, supports foreigners, is lost to us. It is not true that it is always best to buy in the cheapest market. It is not true that it makes no difference to the nation where its capital is invested.

**Bounties.**—Bounties afford a glaring instance of the fallacy that it is always good to buy in the cheapest market. A foreign Government gives, directly or indirectly, a bounty of 10 per cent. on, say, the sugar exported. What is the effect on us who are the importers of that sugar? Why, we get our sugar cheaper. That is good; but is there any other effect? Yes. As the sugar is sold cheaper than it can be profitably made, the sugar industry at home and all the industries dependent on it, viz., the sugar industry in the West Indies, and consequently our general trade with the West Indies, and consequently Canadian trade with the West Indies, and consequently our trade with Canada, are all more or less ruined and depressed. The loss to the nation caused by the weakening or ruin of these industries must be balanced against the gain to the nation caused by a slight and temporary cheapening of sugar.\*

The same argument holds good against the introduction of

\* The loss is infinitely greater than the gain. The moment the foreigner gains a monopoly by overcoming home competition, he will raise the price.

foreign goods sold cheaper than we can make and sell them, because the foreign manufacturer, assured of his profit at home, can sell surplus stock below cost price here, and because foreigners work longer and cheaper than Englishmen. It is to the advantage of the nation to buy those articles cheap. It is to the disadvantage of the nation that the industries engaged in making those articles at home should be weakened or distressed. The loss is much greater than the gain. The economists say, it does not matter what becomes of any one or more industries; if they are ruined, the capital and labour employed in them will find more profitable employment in some other trade or trades. Every practical man knows that is absurd and untrue. Capital becoming unprofitable at home remains idle or goes abroad; and labour must remain idle—which means starvation—or go abroad also. Our system is based on the doctrine “always buy in the cheapest market.” It is a false doctrine and brings ruin upon British labour. The producer must be thought of as well as the consumer. Look well into it. There is scarcely a trade in the country which is not more or less affected by unfair foreign competition—that is to say, working men are suffering from the fallacy that it is always good to buy in the cheapest market.

**Depression of agriculture.**—That the condition of agriculture is bad for trade is self-evident. All engaged in agriculture have less money to spend, and agricultural labourers flock to the towns and glut the labour market.

Such are my reasons for saying that our system is responsible for the depression of labour and the suffering of our industries. But it produces other evils also.

**Our system unfair as between class and class.**—For every shilling the working man spends in coffee,  $1\frac{1}{2}$ d. goes for tax; for every shilling in cocoa,  $1\frac{1}{4}$ d. goes for tax; for every shilling in tea,  $4\frac{1}{2}$ d. goes for tax; for every shilling in currants, 3d. tax; for every shilling in raisins,  $2\frac{1}{2}$ d. tax; for every shilling in beer, 2d. tax; for every shilling in tobacco,  $10\frac{1}{2}$ d. tax; and the duty on spirits makes the price of a nominal shillingworth of spirits, 4s.  $4\frac{1}{2}$ d.; while the duties on Havana cigars and expensive wines are comparatively light, and silks, satins, velvets, gloves, pianos, and a host of similar luxuries consumed by the rich, do not pay a single penny towards the revenue of the country. This is not just.\*

**Our system tends to accumulate wealth in the hands of the few.**—The inequality of taxation mentioned above has that effect. Our system is good for persons with fixed incomes, for their only concern is to buy cheap. It is bad for those whose incomes depend upon labour, because it is necessary for them to sell as well as buy. The system, therefore, favours one class of people, and one class of investments. Unfair foreign competition must cut down the profits of labour. Labour capital cannot be transferred easily from this country to another. But money capital can, and is. Therefore, our system is favourable

\* The above figures are taken from the Free-Trade authority, the Financial Reform Almanack.

to capital, and unfavourable to labour, and if pursued in must produce a small class of rich capitalists, drawing incomes from abroad, and a large class of semi-paupers unable to make a living at home.

**No elasticity in revenue.**—The number of taxable articles under our system is so small that when additional revenue is required, as at present, serious difficulties arise. Additional duties must be placed upon articles already heavily taxed, such as spirits and beer, or tea and tobacco.

**What is to be done?**—Well, in the first place, what is not to be done is just the one thing working men seem inclined to do. They think over-production is the trouble, and want to limit it. In the name of common sense, what is the use of limiting the production of articles at home, and allowing an unlimited supply of articles to come in from abroad? You might as well think to keep back the tide by damming up a stream flowing into the sea. Surely working men can see that in limiting the out-put at home without at the same time checking foreign importation, they are merely increasing the in-come from abroad, and are ruining themselves for the benefit of the foreigner.

**The taxation of agricultural land.**—There is much to be said on the wheat question. It is stated that trade is bad because agriculture is low. And it is added that a protective duty on imported wheat is necessary for the recovery of agriculture, and consequently for the recovery of trade. I don't agree with that. We cannot grow all the wheat we consume at home. It is an uncomfortable position, but it cannot be helped, because the disadvantage of having to import wheat is less than the disadvantage of growing it all at home. It has been said that we could grow all our own wheat if it were not for a bad system of land tenure. That is not so. All experts agree that wheat cannot be grown at a profit on rent-free land under about 42s. a quarter. If you get a piece of land for nothing—and you cannot have it cheaper under any system—you must get 42s. a quarter for your wheat to make it pay. It is impossible to get over that fact. “Very well,” say some, “let us have a duty sufficient to bring the price up to the point at which wheat can be grown on land rent-free at a profit.” There is a good deal of sense in that, and it must be remembered that when the country was prosperous, between 1871 and 1874, wheat averaged 56s. a quarter, and now, when wheat is under 40s. a quarter, our industries are languishing. Cheap bread does not always mean good times. Bread was never so cheap or so abundant as it is now, and yet to many thousands of us it never was so dear or scarce. The value in money of the thing is nothing; it is the quantity a man can get in exchange for a day's work that counts. Yet I don't believe in a duty on all imported wheat. Why? Because in all but one respect the foreign competition is fair enough. A duty would be purely a protectionist duty, and I don't believe in protection in that sense. It would stimulate an industry that could not maintain itself in

fair competition with other countries, and that would be unwholesome. Agriculture could not depend upon the duty being kept up, and if it were put on for a time and then reduced or taken off, a disastrous collapse would follow. I said the competition was fair in all but one respect. It is unfair in so far as land at home pays exceptionally heavy rates. Apportion rates and taxes fairly, relieve our agricultural land from the burdens that handicap it, and then let it do the best it can in competition with the soil of other countries.

If the people of this country ever decide that all the wheat consumed here must be grown here, they may make up their minds at the same time that it can only be done by putting a high duty on all imported wheat. We cannot grow, at a profit, all the wheat we use, in open competition with other countries on land held rent free, and no "system" under heaven can enable us to do so. It is dangerous and expensive to have to import so much food, for it makes us liable to be starved out in a war, and it necessitates the maintenance of a large fleet. But these disadvantages are less than the disadvantages that would be caused by protective duties high enough to enable us to grow all our food at home.

"But," you will say, "Surely you have advocated a duty on wheat." That is so. I advocate a low duty on all foreign but not on Colonial and Indian wheat. Why? Why to give a pull to our Colonies and India, to be sure. A low duty should be put on all foreign food products and the existing duties should be taken off all British food products. Colonial and Indian produce, such as wine, tea, tobacco, coffee, cocoa, fruit, ought to pay no duty. The effect would be twofold. It would stimulate the Colonies and India and greatly increase their power to purchase our manufactures. It is simply madness on our part not to do all we can to help India and the Colonies. They are our best customers, and their gain is our gain, for the more produce they grow the more manufactured goods they will take from us.

If the whole of the duty on foreign (not Colonial) wheat were paid by us, it would make bread one halfpenny a quartern loaf dearer. That would add about  $4\frac{1}{2}$ d. to the average weekly expenses of a working man's family of five persons. If the duty were taken off Colonial and Indian tea, coffee, tobacco, &c. &c., it would make at least an equivalent saving in his weekly expenses. In the course of time all our wheat would be grown in our own possessions, and we should have no duty to pay; but in the meantime we should not pay the duty, or, at any rate, not all of it. We need not go to the United States for wheat, there are plenty of other markets open; but the United States must sell their wheat to us, for we are their only market. They must sell; we need not buy. The competition to get into our market would compel them to pay the duty—probably the whole, certainly a portion of it.

Seeing that we live by manufacturing, it is our obvious duty to do what we can for our best customers. But there is another reason why we should give a trade advantage to our Colonies and India.

Compared with foreign nations, we are weaker than we used to be. They have consolidated. They have created enormous standing armies and great fleets. Wars are of short duration, and a strong but ill-prepared nation may be beaten hopelessly before it has time to arm and put forth its strength. The United Kingdom might be beaten; the United Empire could not. The Empire must be held together. To ensure that end it is necessary that it should be to the advantage of each and every portion of it to hold together, and this can be done only by our giving the produce of the Colonies a trade advantage in our markets, and by the Colonies giving our goods a trade advantage in their markets. These are my reasons for wishing for a duty on foreign but not on British food products, and for desiring to see the duties on colonial and Indian produce taken off.

Now as to foreign competition.—How are the evil effects of it to be remedied? By putting on duties of, say, 10 per cent. to 15 per cent. on all foreign manufactured articles. What would be the effect? British labour would be put on a fair level with foreign labour; it would be protected against unfair and injurious competition. Various trades could be carried on at home at a profit affording great additional employment. Revenue would be raised. Certain articles would be dearer, but being mainly articles of luxury, the additional cost would be scarcely felt by the purchasers.

Two questions may arise.—(1) If our system has the defects I have pointed out, how is it that we prospered under it? We prospered because for many years we had a practical monopoly. Foreigners had to buy from us. We had the power to sell freely, and by taking off duties we obtained the power to buy freely. We had free exchange for a time. But things have changed. Foreigners are no longer dependent on us. We have lost the power to sell. We no longer have free exchange. (2) If our system is so bad, why have its effects not been more disastrous? Causes are slow in affecting a people, strong and wealthy as we are. The inroads of disease upon a vigorous constitution pass unnoticed for a time. A strong nation, like a strong man, dies hard. Ominous symptoms began to show themselves about ten years ago. Revivals may come. A great war, fresh discoveries of gold, the development of Africa, may produce them. But they will not last. In spite of revivals, we shall go steadily from bad to worse if our present system is continued.

This is a working man's question.—It is impossible to divide a people into two classes, rich and poor; but doing so for the sake of argument, it is true that our system favours the rich and is unfavourable to the poor. If working men are satisfied, there is nothing more to be said. But let them look carefully into the matter, bearing in mind that they must be unselfish, and that each man must look at the question as it affects the nation as a whole. Revenue has to be raised. It is not a question whether import duties are good things or bad things. It is a question of

putting duties on some articles and taking them off others, of raising taxation in one way and taking it off in another. There is no question of giving up "Free-Trade." We have not got it, and we cannot therefore give it up. If, in exchange for a preference given by us to their produce, the Colonies give a preference to our manufactures, we shall be nearer free-trade than we have ever been before.

The great blot in our system is that it is framed to suit the "consumer" only, while the bulk of the people are "producers" also. The great fallacy in it is that it must always be good for the nation that individuals should buy in the cheapest market, and that competition, whether fair or unfair, whether domestic or foreign, must be good, because it lowers prices.

I wish to heaven working men would bear these points in view, and ask themselves the following questions:—

Is it good for us at home to have the whole strength of the Empire at our back in time of war?

Is it better and safer to depend for our food upon our own kindred rather than upon foreigners?

Is it not wise to turn emigration and capital towards those communities who are our best customers, and to do all we can to enrich them?

Is it unwise to allow agriculture to be ruined, and consequently trade depressed, because land in the United Kingdom is handicapped by exceptionally heavy rates out of all chance of competing with land beyond the seas?

Is it unjust to subject British labour to the unfair competition of foreign labour?

Would it be unwise, cruel, and uncivilised to repeal the Factory Acts, and to compel young children and women to labour, and force men to work seventy hours or more a week, in order that Great Britain may be able to compete with foreign countries, where no such civilising restrictions and laws exist?

If "Yes" is the answer to these questions, then let any scheme that can carry out what is involved in that "Yes" be put forward and discussed. I believe the only true scheme lies in such a measure of reform as I have tried to sketch out.

Yours Faithfully,

DUNRAVEN.

To MR. H. T. HILL, Chairmaker, Walworth.

June 6th, 1885.

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*Issued by*

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